UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/51/849
1 April 1997

ORIGINAL: ENGLISH

Fifty-first session
Agenda item 111

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Report of the Fifth Committee

Rapporteur: Mr. Ihor V. HUMENNY (Ukraine)

I. INTRODUCTION

1. At its 3rd plenary meeting, on 20 September 1996, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its fifty-first session, and to allocate to the Fifth Committee, the item entitled:

"Financial reports and audited financial statements, and reports of the Board of Auditors:

"(a) United Nations;

"(b) United Nations Development Programme;

"(c) United Nations Children's Fund;

"(d) United Nations Relief and Works Agency for Palestine Refugees in the Near East;

"(e) United Nations Institute for Training and Research;

"(f) Voluntary funds administered by the United Nations High Commissioner for Refugees;

"(g) Fund of the United Nations Environment Programme;

"(h) United Nations Population Fund;

"(i) United Nations Habitat and Human Settlements Foundation;

"(j) Fund of the United Nations International Drug Control Programme;

"(k) United Nations Office for Project Services".

2. At its 21st, 23rd, 27th, 29th to 31st and 55th meetings, on 5, 7, 13, 14, 19 and 21 November 1996 and on 27 March 1997, the Fifth Committee considered the financial reports and audited financial statements for the period ended 31 December 1995 concerning the United Nations, peacekeeping missions, the International Trade Centre and the United Nations University[1], the United Nations Development Programme[2], the United Nations Children's Fund,[3] the United Nations Relief and Works Agency for Palestine Refugees in the Near East,[4] the United Nations Institute for Training and Research,[5] the voluntary funds administered by the United Nations High Commissioner for Refugees,[6] the Fund of the United Nations Environment Programme,[7] the United Nations Population Fund,[8] the United Nations Habitat and Human Settlements Foundation,[9] the Fund of the United Nations International Drug Control Programme,[10] the United Nations Office for Project Services[11] and the related report of the Advisory Committee on Administrative and Budgetary Questions (A/51/533).

3. The Committee also had before it a report of the Secretary-General transmitting a concise summary of principal findings, conclusions and recommendations contained in the reports of the Board of Auditors on the audit of the accounts for the financial period ended 31 December 1995 (A/51/283) and reports of the Secretary-General on the implementation of the recommendations of the Board of Auditors (A/51/488 and Add.1 and 2) and on accounting standards (A/51/523).

---

[1] Official Records of the General Assembly, Fifty-first Session, Supplement No. 5 (A/51/5, vols. I-IV).

[2] Ibid., Supplement No. 5A (A/51/5/Add.1).

[3] Ibid., Supplement No. 5B (A/51/5/Add.2).

[4] Ibid., Supplement No. 5C (A/51/5/Add.3).

[5] Ibid., Supplement No. 5D (A/51/5/Add.4).

[6] Ibid., Supplement No. 5E (A/51/5/Add.5).

[7] Ibid., Supplement No. 5F (A/51/5/Add.6).

[8] Ibid., Supplement No. 5G (A/51/5/Add.7).

[9] Ibid., Supplement No. 5H (A/51/5/Add.8).

[10] Ibid., Supplement No. 5I (A/51/5/Add.9).

[11] Ibid., Supplement No. 5J (A/51/5/Add.10).

4. Statements and observations made in the course of the Committee's consideration of the item and replies to queries raised are reflected in the relevant summary records (A/C.5/51/SR.21, 23, 27, 29-31 and 55).

II. CONSIDERATION OF DRAFT RESOLUTION A/C.5/51/L.47

5. At the 55th meeting, on 27 March, the representative of Latvia introduced a draft resolution entitled "Financial reports and audited financial statements, and reports of the Board of Auditors" (A/C.5/51/L.47), on behalf of the Chairman following informal consultations, and orally revised it by inserting the words "in the United Nations Environment Programme" after the words "serious problems" in part B, paragraph 10.

6. At the same meeting, the Committee adopted draft resolution A/C.5/51/L.47, as orally revised, without a vote (see para. 7).

III. RECOMMENDATION OF THE FIFTH COMMITTEE

7. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

Financial reports and audited financial statements, and reports of the Board of Auditors

The General Assembly,

Having considered, for the period ended 31 December 1995, the financial reports and audited financial statements of the United Nations, including United Nations peacekeeping operations, the International Trade Centre and the United Nations University,[12] the United Nations Development Programme,[13] the United Nations Children's Fund,[14] the United Nations Relief and Works Agency for Palestine Refugees in the Near East,[15] the United Nations Institute for Training and Research,[16] the voluntary funds administered by the United Nations High Commissioner for Refugees,[17] the Fund of the United Nations Environment

---

[12] Official Records of the General Assembly, Fifty-first Session, Supplement No. 5 (A/51/5), vol. I, sects. I and V; vol. II, sects. I and V; vol. III, sect. IV; vol. IV, sects. I and V.

[13] Ibid., Supplement No. 5A (A/51/5/Add.1), sects. I and IV.

[14] Ibid., Supplement No. 5B (A/51/5/Add.2), sects. I and IV.

[15] Ibid., Supplement No. 5C (A/51/5/Add.3), sects. I and V.

[16] Ibid., Supplement No. 5D (A/51/5/Add.4), sects. I and V.

[17] Ibid., Supplement No. 5E (A/51/5/Add.5), sects. III and V.

Programme,[18] the United Nations Population Fund,[19] the United Nations Habitat and Human Settlements Foundation,[20] the Fund of the United Nations International Drug Control Programme[21] and the United Nations Office for Project Services,[22] the reports and audit opinions of the Board of Auditors,[23] the concise summary of the principal findings, conclusions and recommendations of the Board of Auditors[24] and the report of the Advisory Committee on Administrative and Budgetary Questions,[25]

A

Taking note of the reports of the Secretary-General on measures taken or to be taken to implement the current recommendations of the Board of Auditors[26] and of the responses of the executive heads of the United Nations organizations and programmes[27] to the recommendations of the Board,

Taking note also of the reports of the Secretary-General on accounting standards[28] and on the inventory control system for non-expendable property at Headquarters,[29]

---

[18] Ibid., Supplement No. 5F (A/51/5/Add.6), sects. I and V.

[19] Ibid., Supplement No. 5G (A/51/5/Add.7), sects. I and V.

[20] Ibid., Supplement No. 5H (A/51/5/Add.8), sects. I and IV.

[21] Ibid., Supplement No. 5I (A/51/5/Add.9), sects. I and V.

[22] Ibid., Supplement No. 5J (A/51/5/Add.10), sects. I and IV.

[23] Ibid., Supplement No. 5 (A/51/5), vol. I, sects. II and III; vol. II, sects. II and III; vol. III, sects. I and II; vol. IV, sects. II and III; ibid., Supplement No. 5A (A/51/5/Add.1), sects. II and III; ibid., Supplement No. 5B (A/51/5/Add.2), sects. II and III; ibid., Supplement No. 5C (A/51/5/Add.3), sects. II and III; ibid., Supplement No. 5D (A/51/5/Add.4), sects. II and III; ibid., Supplement No. 5E (A/51/5/Add.5), sects. I and II; ibid., Supplement No. 5F (A/51/5/Add.6), sects. II and III; ibid., Supplement No. 5G (A/51/5/Add.7), sects. II and III; ibid., Supplement No. 5H (A/51/5/Add.8), sects. II and III; ibid., Supplement No. 5I (A/51/5/Add.9), sects. II and III; ibid., Supplement No. 5J (A/51/5/Add.10), sects. II and III.

[24] A/51/283, annex.

[25] A/51/533.

[26] A/51/488 and Add.1.

[27] A/51/488/Add.2.

[28] A/51/523.

[29] A/C.5/50/51.

Expressing deep concern about the persistence of problems and defects in the financial administration and management of the United Nations observed by the Board of Auditors,

Noting with concern the observation by the Board of Auditors that there had been no significant improvement in effective budgetary control with regard to Trust Funds, despite the Board having drawn attention to this problem in its report for the biennium ended 31 December 1993,

Emphasizing the need to improve implementation of the recommendations of the Board of Auditors, as approved by the General Assembly,

Commending the Board of Auditors for carrying out its reviews in a comprehensive and efficient manner, in line with regulation 12.5 of the Financial Regulations of the United Nations,

1. Accepts the financial reports and audited financial statements and the audit opinions and reports of the Board regarding the aforementioned organizations, subject to the provisions of the present resolution;

2. Also accepts the concise summary of principal findings, conclusions and recommendations of the Board of Auditors, subject to the provisions of the present resolution;

3. Notes with serious concern that the Board of Auditors has qualified its audit opinion on the financial statements of the United Nations Development Programme, the United Nations Population Fund, the United Nations International Drug Control Programme, the United Nations Environment Programme, the United Nations Habitat and Human Settlements Foundation and the United Nations Conference on Human Settlements (Habitat II);

4. Requests the Secretary-General and the executive heads of the United Nations funds and programmes mentioned in paragraph 3 above to take steps to rectify the situation in order to avoid another qualification during the next audit;

5. Reiterates its request that the Board of Auditors continue its audit coverage of all peacekeeping operations;

6. Approves all the recommendations and conclusions of the Board of Auditors and the comments thereon contained in the report of the Advisory Committee on Administrative and Budgetary Questions,[25] subject to the provisions of the present resolution;

7. Requests the Board of Auditors to indicate more clearly in its future reports those recommendations which have not been fully implemented and to point out, with greater precision, incidences of malpractice and violations of rules and regulations;

8. Also requests the Board of Auditors to submit to the General Assembly at its fifty-second session proposals for improving the implementation, by the Secretary-General and the executive heads of funds and programmes, of the

recommendations of the Board, as approved by the Assembly, and for possible changes in progress reporting on such implementation;

9. Notes with concern the delays in submission of the reports of the Board of Auditors and the reports of the Secretary-General on implementation of the recommendations of the Board through the Advisory Committee to the General Assembly, and requests the Secretary-General to ensure that the necessary financial and administrative support is provided to ensure the timeliness of the transmission of those reports in the future;

10. Requests the Secretary-General and the executive heads of the United Nations funds and programmes to provide timely responses to the recommendations of the Board of Auditors, and reiterates its request that the reports on measures taken or to be taken in response to the recommendations of the Board include timetables for their implementation;

11. Notes with deep concern the incidents of fraud and presumed fraud reported by the Board of Auditors;

12. Requests the Secretary-General and the executive heads of the organizations concerned to take the necessary disciplinary measures in cases of proven fraud and to enhance the individual accountability of United Nations personnel, including stronger managerial control;

13. Requests the Secretary-General to report to the General Assembly at its fifty-second session on measures taken to enhance accountability;

14. Notes with satisfaction the improvement in internal audit functions and structures in the United Nations, including the level of professional expertise, and requests the executive heads of those funds and programmes which continue to suffer deficiencies in this regard to take appropriate corrective measures;

15. Emphasizes the need for greater transparency and stricter controls for trust funds, including by ensuring, in particular, that expenditure from trust funds should not be incurred without the receipt of the corresponding income, nor on the basis of reimbursement to other accounts or the regular budget;

16. Welcomes the efforts made by organizations in the biennium 1994-1995 to comply with the United Nations common accounting standards;

17. Notes, however, that further work needs to be done in the biennium 1996-1997 to bring the financial statements fully in line with the United Nations common accounting standards, and requests the Secretary-General and the executive heads of the United Nations organizations and programmes to pursue efforts to ensure full compliance with the standards, in particular the disclosure of valuation of property and cash held in non-convertible currencies, calculation and disclosure of the end-of-service liability for termination benefits and better disclosure of delays in the collection of assessed contributions;

18. Takes note of the recommendations of the Board of Auditors concerning budgetary assumptions used in the preparation of biennial programme budgets[30] and the comments of the Secretary-General and the Advisory Committee thereon,[31] and requests them to keep the matter under review;

19. Takes note also of the comments of the Board of Auditors on the need to improve performance reporting, and concurs with the recommendation of the Advisory Committee[32] that the Secretary-General should work towards improving the format of reports, in particular, by providing more up-to-date information relating to actual expenditure figures;

20. Stresses the importance of the timely completion of the self-evaluation of subprogrammes, and requests the Secretary-General to ensure better coverage and monitoring of self-evaluations;

21. Requests the Board of Auditors, the Office of Internal Oversight Services and the Joint Inspection Unit to maintain and enhance, whenever possible, their cooperation, while respecting the clear distinction between internal and external oversight responsibilities;

22. Regrets that there was a steady decline in net income from revenue-producing activities during the biennium 1994-1995;

23. Also regrets that the United Nations Postal Administration and the services to visitors incurred net losses during the biennium 1994-1995, and requests the Secretary-General to take all necessary measures to redress the situation and to report thereon to the General Assembly;

24. Decides to consider the other substantive findings and recommendations of the Board of Auditors under the relevant items of the agenda, and decides also to consider in future, where appropriate, the substantive findings and recommendations of the Board under the relevant items of the agenda;

B

Expressing concern at the failure of some implementing and executing agencies to comply with funding and project agreements concluded with United Nations funds and programmes,

1. Notes with deep concern the serious irregular financial practices in the United Nations Centre for Human Settlements and the decision by the management of the United Nations Habitat and Human Settlements Foundation to divert $900,000 from the Foundation's funds in order to meet the financing requirements for the preparatory activities of the United Nations Conference on Human Settlements (Habitat II);

---

[30] See A/51/488, paras. 6-11.

[31] See A/51/488, paras. 6-13, and A/51/533, paras. 39 and 40.

[32] A/51/533, para. 41.

2. Draws the attention of the Commission on Human Settlements to these irregularities with a view to its requesting immediate corrective action at its sixteenth session;

3. Notes the actions taken by the Office of the United Nations High Commissioner for Refugees and its Executive Committee at its forty-seventh session[33] with regard to the implementation of the recommendations of the Board of Auditors;

4. Welcomes initiatives by the Office of the United Nations High Commissioner for Refugees to improve the procedure for selecting implementing partners and auditing their activities, and emphasizes the need for improvement in the process of selecting implementing and executing partners by other funds and programmes;

5. Notes with grave concern the serious problems identified with regard to the United Nations Development Programme reserve for field accommodation;

6. Notes the actions taken by the Administrator and the Executive Board of the United Nations Development Programme[34] with regard to the implementation of the recommendations of the Board of Auditors;

7. Notes also the actions taken by the Executive Director of the United Nations Children's Fund and its Executive Board[35] with regard to the implementation of the recommendations of the Board of Auditors;

8. Takes note of the recommendation that the United Nations Children's Fund review its policy of recording cash assistance in connection with programme expenditures for consistency with financial regulations and programme management procedures and notes the finding that financial control over cash assistance was not being fully achieved;

9. Takes note also of the decision of the Governing Council of the United Nations Environment Programme on the report of the Board of Auditors, and its request that the Executive Director implement the necessary corrective actions recommended by the Board before the end of the biennium 1996-1997;[36]

10. Notes with great concern the serious problems in the United Nations Environment Programme reported by the Board of Auditors, including the fact that eight out of twelve projects audited had suffered cost overruns and nine had time overruns because of difficulties in identifying consultants;

---

[33] See A/AC.96/869/Add.1, paras. 4-7, and A/51/12/Add.1, para. 25.

[34] See DP/1997/3, DP/1997/6 and Executive Board decision 97/3.

[35] E/ICEF/1997/12, part I, and decision 1997/10, para. 12.

[36] Decision 19/26.

11. Draws the attention of the Governing Council of the United Nations Environment Programme to these irregularities with a view to its requesting immediate corrective action at its next scheduled sessions;

12. Notes the actions taken by the Executive Director of the United Nations Population Fund and the Executive Board of the United Nations Development Programme/United Nations Population Fund[37] with regard to the implementation of the recommendations of the Board of Auditors.

---

[37] See DP/FPA/1997/4 and decision 97/2.